

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Economic Development
State of Louisiana
Baton Rouge, Louisiana

June 14, 2000



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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Daniel G. Kyle, Ph.D., CPA, CFE

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**DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated May 16, 2000**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

June 14, 2000



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

May 16, 2000

DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2000, we conducted certain procedures at the Department of Economic Development. Our procedures included (1) a review of the department's internal control; (2) tests of financial transactions for the years ending June 30, 2000, and June 30, 1999; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 2000, and June 30, 1999; and (4) a review of compliance with prior year report recommendations.

The Annual Fiscal Report of the Department of Economic Development was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and other selected departmental personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

In our prior report dated June 11, 1998, on the Department of Economic Development, we reported findings relating to the inadequate support for payroll disbursements, electronic data processing control weaknesses, inadequate controls over movable property, noncompliance with payroll internal controls, and lack of an internal audit function. Management has resolved these findings.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Noncompliance With Controls Over
Time and Attendance Reporting**

The Department of Economic Development, Office of Commerce and Industry, did not adhere to the department's established time and attendance reporting procedures. The department's On-Line Time Entry System Manual states that the timekeeping unit

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DEPARTMENT OF ECONOMIC DEVELOPMENT STATE OF LOUISIANA

Management Letter, Dated May 16, 2000

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manager is responsible for monitoring the timekeeper's performance by conducting audits to verify that the time entry form information has been recorded accurately in the on-line time entry system, and that all necessary supporting documentation is available in the pay period file. It further requires the timekeeping unit manager to take corrective measures, as necessary, to assure timekeeper accuracy. In addition, Civil Service Rule 15.2 requires the employee and supervisor to certify the number of hours of attendance or absence from duty on the time and attendance records.

The test of time and attendance records for the pay periods ended January 24, 1999, through June 27, 1999, noted the following conditions:

- Fifty-two of 98 time sheets (53%) reviewed for nine employees were not properly approved.
- Forty-two of 121 leave slips (35%) reviewed for nine employees were not properly approved.
- Twenty-two prior period adjustments were required to correct errors in 36 time and attendance records for three employees.
- Four of 36 time sheets (11%) contained instances where the time sheet did not agree to the time entry worksheet generated by the Uniform Payroll System.

During the test period, one timekeeper was responsible for the time and attendance records of approximately 47 employees within the Office of Commerce and Industry. The above conditions occurred because of an inadequate review of the timekeeper's work as required by the department's established control procedures. Furthermore, the Office of Commerce and Industry has not placed sufficient emphasis on the established controls over time and attendance reporting. Failure to adhere to the established controls increases the risk of payroll errors and/or fraud.

The Department of Economic Development, Office of Commerce and Industry, should comply with the department's policies and procedures and Civil Service rules regarding the processing of time and attendance records. Management concurred with the finding and has implemented a plan of corrective action (see Appendix A, page 1).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. The finding

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DEPARTMENT OF ECONOMIC DEVELOPMENT
STATE OF LOUISIANA

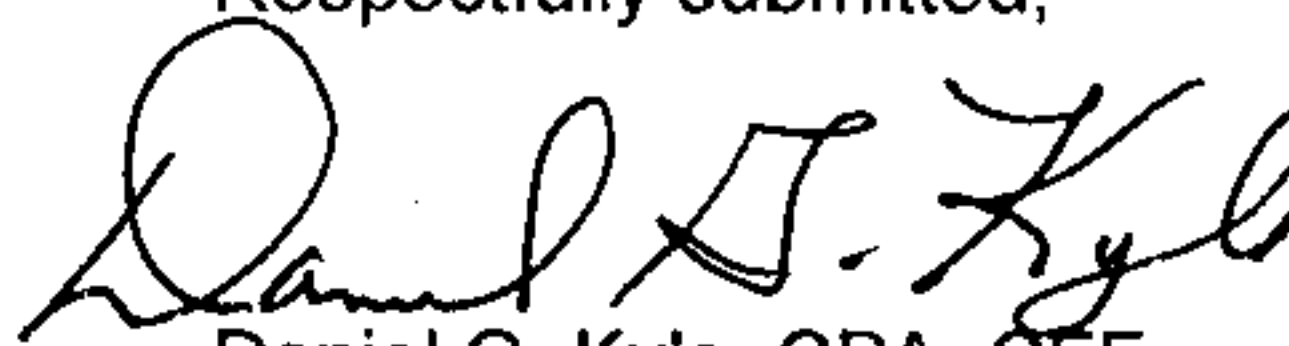
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relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the Department of Economic Development and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MCF:ES:DSP:dl

[DED]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation

State of Louisiana

DEPARTMENT OF ECONOMIC DEVELOPMENT



M.J. "Mike" Foster, Jr.
Governor

Kevin P. Reilly
Secretary

April 10, 2000

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This letter is in response to your audit finding **Noncompliance with Controls over Time and Attendance**. The Department concurs that there was a breakdown in controls in the review of the time and attendance documentation for the Office of Commerce and Industry. This problem was discovered and reported to the Secretary in June 1999. The Department maintains a system of internal controls which includes backup controls. The Department reports on a quarterly basis the number of Prior Pay Period Adjustments prepared by each section. This report reflected a large number of Prior Pay Period Adjustments being prepared for the Office of Commerce and Industry. Based upon this report, a review of the time and attendance documentation was performed and the problem discovered.

The time and attendance documentation for the period of January 24, 1999 through June 27, 1999 has been reconstructed and the employees' leave records corrected. The individual who prepared the time and attendance sheets for the Office of Commerce and Industry was replaced immediately and subsequently transferred to another position. The current time and attendance documentation is being monitored by the Internal Auditor.

Please call me at (225) 342-5361 or Charles Kelly, Internal Auditor, at (225) 342-1940 if you have any questions concerning this matter.

Sincerely,

A handwritten signature in cursive script that reads "Harold Price".

Harold Price, Assistant Secretary
Office of Commerce and Industry

cc: Kevin P. Reilly, Sr.